

PUBLIC DISCLOSURE

JULY 18, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SLADE'S FERRY TRUST COMPANY

**100 SLADE'S FERRY AVENUE
SOMERSET, MA 02726**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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TABLE OF CONTENTS

I.	General Information	b.
II.	Institution Rating	
a.	Overall Rating	b.
b.	Lending, Service, and Investment Test Table	b..
c.	Description of Institution	1.
d.	Description of Assessment Area	3.
e.	Conclusions with Respect to Performance Tests	6.
III.	Appendix	
a.	Scope of Examination	i

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **SLADE'S FERRY TRUST COMPANY (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **JULY 18, 2005**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The Bank's overall CRA performance reflects the degree of its commitment in helping to meet the credit needs of its assessment area. The Bank was evaluated according to the CRA Large Institution Examination Procedures, involving three tests: the Lending Test, the Investment Test and the Service Test. These tests were conducted to determine the Bank's overall CRA performance rating for calendar years 2003 and 2004.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **SLADE'S FERRY TRUST COMPANY, SOMERSET, MASSACHUSETTS**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Slade's Ferry Trust Company			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Satisfactory		X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Slade's Ferry Trust Company is a state-chartered, investor-owned commercial bank headquartered at 100 Slade's Ferry Avenue in Somerset, Massachusetts. The Bank is a wholly-owned subsidiary of Slade's Ferry Bancorp, a one-bank holding company. The Bank has other wholly-owned subsidiaries that include: Slade's Ferry Realty Trust, which was formed to hold bank-owned real estate; Slade's Ferry Securities Corporation, which was established to hold securities; Slade's Ferry Preferred Capital Corporation, a real estate investment trust established to hold real estate mortgage loans. The Bank operates 9 full-service offices located throughout the greater Fall River/New Bedford area. The Bank also operates a limited-service branch office at Somerset High School that serves as a training facility for students in the school's business programs. This office provides limited banking services to students, faculty, and staff but is not open to the general public.

As of March 31, 2005, Slade's Ferry Trust Company had total assets of \$548,982,000. Total loans, as of this date, were \$383,628,000. The Bank's loan portfolio is comprised predominately of real-estate loans. As of March 31, 2005, loans secured by nonfarm nonresidential properties accounted for \$147,119,000, or 38.3 percent of the total loan portfolio. Loans secured by 1-to-4 family residential properties accounted for \$123,770,000, or 32.2 percent of the loan portfolio. Loans secured by multi-family 5 or more residential properties accounted for \$57,737,000, or 15.1 percent of the loan portfolio. Commercial and Industrial Loans accounted for \$27,055,000, or 7.1 percent. Construction loans accounted for \$22,506,000, or 5.9 percent of the loan portfolio. Consumer loans, loans to finance agricultural production, other loans to farmers and other loans accounted for only \$5,441,000 or 1.4 percent of the remaining loan portfolio.

Consistent with its commercial bank origins, Slade's Ferry Trust Company is primarily a commercial lender. As shown by the data in the following table, loans secured by commercial real estate account for 38.3 percent of the Bank's \$383,628,000 in outstanding loans.

Loan Distribution as of March 31, 2005		
Loan Type	Dollar Amount \$(000)	Percent (%)
Secured by:		
Construction and Land Development	22,506	5.9
1-4 Family Residential Properties	123,770	32.2
Multi Family (5 or more) Residential Properties	57,737	15.1
Nonfarm Nonresidential Properties	147,119	38.3
Commercial and Industrial Loans	27,055	7.1
Consumer Loans	2,367	0.6
Other Loans	3,074	0.8
Total	383,628	100.0

Source: Report of Condition

Slade's Ferry Trust Company's net loan-to-asset ("LTA") ratio was 69.1 percent as of March 31, 2005. The LTA ratio has ranged from its current low of 66.8 to a high of 76.0 percent year end 2003. Not reflected in the LTA ratio is the significant volume of loans sold to the secondary market. The Bank sold 20 residential loans totaling \$8,059,271 during 2003 and 2004. Slade's Ferry Trust Company generally does not purchase residential loans from other institutions and does not have any lending affiliates.

DESCRIPTION OF INSTITUTION (CONTINUED)

Slade's Ferry Trust Company's headquarters is located in a middle-income census tract. The Bank operates a total of nine offices in Massachusetts including two full-service offices each in The Town of Somerset and the City of Fall River. Additional full-service offices are located in Assonet, Swansea, Seekonk, Fairhaven, and New Bedford. The Bank operates a limited-service school branch office within the Somerset High School, which serves primarily as a training facility for students in the school's business program.

The Fall River and New Bedford offices are located in moderate-income census tracts and the Assonet office is located in an upper-income census tract. The remaining offices are located in middle-income census tracts. The Bank has no offices that are located within any low-income census tracts. Each full-service office, with the exception of the Linden Street branch in Fall River, is equipped with depository Automated Teller Machine ("ATM") service. The Bank also operates an in-store cash-dispensing ATM in the Jr's Store in Assonet.

Slade's Ferry Trust Company operates in a competitive market and experiences competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: Bank of America, St. Anne's Credit Union of Fall River and Fall River Five Cent Savings Bank as well as representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the Bank's rates and services offered competitive.

The Bank has a CRA Committee that meets quarterly. The committee is composed of the Chairman of the Board, the President and Chief Executive Officer, a member of the Board of Directors, the Chief Financial Officer, Senior Vice President of Lending, Vice President of Commercial Lending, Compliance Review Officer, Compliance Officer, and Marketing Officer.

The most recent Federal Deposit Insurance Corporation ("FDIC") CRA Evaluation was conducted as of August 19, 2002, at which time the Bank was assigned an overall rating of "Satisfactory." On August 27, 2002, the Division conducted a CRA evaluation, and also assigned a "Satisfactory" rating.

No apparent financial or legal impediments prevent the institution from helping to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

CRA requires financial institutions to define an assessment area within which its lending efforts are focused. The Division evaluates the institution's CRA performance based upon the defined assessment area.

According to 2000 census data, the assessment area had a median family income of \$48,073, an increase of 33.3 percent above the 1990 median family income of \$36,074. The median income of the assessment area is below the \$54,402 median family income of the Providence-New Bedford-Fall River Metropolitan Statistical Area ("MSA"). The income of the assessment area is well below the \$65,318 median family incomes of Massachusetts and slightly above the \$54,353 median family income of Rhode Island.

In 2000, the Office of Management and Budget ("OMB") published new standards for defining Metropolitan Areas. Metropolitan Statistical Areas are now defined in terms of whole counties. If the specified criteria are met, an MSA containing a single core with a population of 2.5 million may be subdivided to form smaller groupings of counties. Effective for 2004, the Boston MSA was subdivided to form smaller groupings of counties referred to as Metropolitan Divisions ("MD's") and the New Bedford MSA was eliminated and is now part of the Providence-Fall River-Warwick, RI-MA MSA (renamed the Providence-New Bedford-Fall River, RI-MA MSA). Slade's Ferry Trust Company has defined a single contiguous assessment area that includes 13 cities and towns, 12 of which are located in southeastern Massachusetts and one in the state of Rhode Island. This area is now located in two Metropolitan Areas. Municipalities within the Providence-New Bedford-Fall River, RI-MA MSA include Somerset, Acushnet, Dartmouth, Fairhaven, Fall River, Freetown, New Bedford, Swansea, and Westport in Massachusetts and Tiverton, Rhode Island. The Towns of Rochester and Mattapoisett are located in the Boston-Quincy MD. The Bank's assessment area contains 85 census tracts. Of the total tracts, 12 are low-income, 30 are moderate-income, 35 are middle-income, and 8 are upper-income.

The adjusted 2004 median family incomes for the Providence-New Bedford-Fall River, RI-MA MSA and the Boston-Quincy MD were \$61,300 and \$75,300, respectively.

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

Assessment Area 2003/2004

The following table provides demographic and economic information pertaining to the Bank's assessment area for 2003 based on census data for 2000, based on the median income for the Providence-Fall River MSA, New Bedford MSA and the Boston MSA. The breakdown classification of the tracts in 2003 is as follows: 8 or 9.41 percent low-income, 29 or 34.12 percent moderate-income, 33 or 38.82 percent middle-income, and 15 or 17.65 percent upper-income.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	House-holds	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	9.41	9.38	6.36	2.17	11.42	9.79	101,711
Moderate	34.12	34.00	32.58	16.38	53.22	39.79	116,289
Middle	38.82	47.22	42.04	54.42	28.55	23.94	138,842
Upper	17.65	9.40	19.01	27.03	6.81	26.48	168,694
Total of Median	100.00	100.0	100.0	100.0	100.0	100.0	145,633

Source: 2000 U.S. Census

The following table provides demographic and economic information pertaining to the Bank's assessment area for 2004. This table reflects the breakdown of the assessment area's census tracts based on the median income for the Providence-New Bedford-Fall River, RI-MA MSA and Boston-Quincy MD. The census data for the assessment area's 85 census tracts are as follows: 12 or 14.12 percent low-income, 30 or 35.29 percent moderate-income, 35 or 41.18 percent middle-income, and 8 or 9.41 percent upper-income.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	House-holds	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	14.12	6.14	9.76	3.57	17.14	15.37	104,151
Moderate	35.29	32.09	34.24	20.24	52.58	37.70	117,371
Middle	41.18	43.32	46.36	62.47	26.76	34.02	145,222
Upper	9.41	18.45	9.64	13.72	3.51	12.90	175,159
Total of Median	100.00	100.0	100.0	100.0	100.0	100.0	145,633

Source: 2000 U.S. Census

Demographic data obtained from the CRA WIZ indicate that the Bank's assessment area contains a total population of 339,016 individuals. There are 144,418 housing units within the assessment area, of which 53.42 percent are owner-occupied, 39.45 percent are rental occupied, and 7.13 percent are vacant units. Households living below the poverty level represent 13.82 percent of total households.

Like much of Massachusetts, the cost of housing in the assessment area continues to escalate. Recent statistics published by the Warren Group show that the area's median home sales prices for 2004 ranged from \$229,900 in New Bedford to \$369,322 in

Mattapoisett. Since the previous examination in 2002, prices have increased an average of more than 51 percent in the communities that comprise the assessment area.

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

According to 2003 Business Data, the assessment area contains 16,966 business establishments, approximately 37 percent of which are centered in the service industry. Retail trade and construction also comprise a significant proportion of local businesses. Just under half of the area's business establishments are located in Fall River and New Bedford.

Approximately 66 percent of the area's businesses are considered "small businesses" as their gross annual revenues are less than \$1 million. The majority of the businesses are also relatively small in terms of number of employees with nearly 59 percent of the establishments having four or fewer employees. According to Dun and Bradstreet Data, the largest employers in the area based on the number of employees are Quaker Fabrics (Fall River), South Coast Hospital Group (New Bedford), the University of Massachusetts (Dartmouth), St. Anne's Hospital (Fall River), and the Acushnet Rubber Company, Incorporated, (New Bedford).

Competitive Environment

Home Mortgage Disclosure Act ("HMDA") data for calendar year 2003, the latest year for which such data is publicly available, show that 369 lenders originated 33,142 residential mortgage loans totaling just over \$5.0 billion in the assessment area. Fleet Bank, NA (now Bank of America) ranked first with a 7.4 percent market share followed by First Federal Savings Bank with 6.5 percent. Slade's Ferry Trust Company ranked 19th with 1.4 percent market share.

The area's commercial loan market is not nearly as large, but similar data regarding CRA small business loan activity shows that 114 lenders originated 29,154 loans to small businesses and farms totaling \$800.4 million. Slade's Ferry ranked 22nd with a 2.8 percent market share.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "High Satisfactory." The institution's lending efforts are rated under seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

Scope of Evaluation

The evaluation included an analysis of HMDA reportable loans and small business loans reported during the period January 1 2003, through December 31, 2004. In addition, residential loan data of competing institutions was analyzed for 2003, the latest date available for comparison of aggregate residential loan information.

I. Lending Activity

From January 1, 2003, through December 31, 2004, the Bank originated 774 HMDA-reportable loans totaling \$141,247,000. As the following table indicates, the majority of the home mortgage loans were originated within the assessment area. Of the total HMDA loans originated during this period, 656 or 84.7 percent by number and 79.3 percent by dollar volume, were granted within the Bank's assessment area. Although both the number and dollar volume of the Bank's loans are considered, the number of originations is weighed more heavily than the dollar volume. The reasoning being the number of loans does not vary due to the applicant's income level, the size of the applicant's business or the varying housing values within the assessment area.

Distribution of Home Mortgage Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar Amount		Number of Loans		Dollar Amount	
	#	%	\$ (000s)	%	#	%	\$(000s)	%
2003	471	87.2	66,648	83.2	69	12.8	13,462	16.8
2004	185	79.1	45,472	74.2	49	20.9	15,775	25.8
Totals	656	84.7	112,120	79.3	118	15.3	29,237	20.7

Source: 2003/2004 HMDA Loan Data

As noted in the description of the assessment area, the Bank is operating within a highly competitive lending environment. Market share data for 2003 was reviewed with respect to this performance criterion.

The market share data is based upon loan information submitted to the Federal Reserve in 2003 by all HMDA-reportable lending institutions that originated residential real estate loans within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Market share data for the 369 lenders that made loans within the assessment area in 2003 indicated that Slade's Ferry Trust Company ranked 19 in originated or purchased loans, representing 1.42 percent in market share. Fleet Bank, NA (now Bank of America) ranked first with a 7.36 percent market share. First Federal Savings Bank ranked second with a 6.45 percent market share.

The demand for residential mortgages within the assessment area has decreased due to the large number of refinances in 2003. Residential loan volume in 2004 was less than half of the loan volume in 2003.

Small Business Loans

The Bank originated 365 small business loans for a dollar total of \$70.3 million. Of the total small business loans, 78.4 percent of the total number was originated within the assessment area and 72.0 percent of the dollar volume. Unlike HMDA lending, the Bank's small business loan volume increased overall in 2004. Refer to the following table for more detailed information.

Distribution of Small Business Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar Amount		Number of Loans		Dollar Amount	
	#	%	\$ (000s)	%	#	%	\$(000s)	%
2003	126	82.9	22,311	75.6	26	17.1	7,209	24.4
2004	160	75.1	28,327	69.5	53	24.9	12,438	31.5
Totals	286	78.4	50,638	72.0	79	21.6	19,647	28.0

Source: 2003/2004 CRA Loan Data

II. Geographic Distribution

The Bank's penetration of census tracts of different income levels is considered good. HMDA-reportable loans originated by the Bank were analyzed to determine the extent of loan penetration within the assessment area's low and moderate-income geographies. For calendar year 2003, the Bank originated HMDA-reportable loans in 74 of the area's 85 census tracts. At least one loan was originated in 4 of the area's 8 low-income census tracts, 26 of its 29 moderate-income tracts, 29 of its 33 middle-income tracts, and all of its 15 upper-income geographies.

As the following table illustrates, the distribution of the Bank's HMDA-reportable loans originated within the assessment area is generally consistent with the distribution of owner-occupied housing units and the activity of other HMDA-reporting lenders. Middle-income census tracts, which account for 54.4 percent of the area's owner-occupied housing stock, represent the largest share of the Bank's HMDA-reportable loan originations with 52.7 percent, an amount nearly identical to the aggregate level of 52.4 percent. Upper-income census tracts are next with 26.8 percent of all loans, a proportion that is slightly below, but still consistent with, the 28.3 percent

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

aggregate level. Lending activity in moderate-income census tracts, at 19.5 percent, is above the 16.8 percent aggregate level. Loans originated in low-income census tracts, at 1.1 percent of total loans, is less than half of the 2.5 percent proportion of HMDA-reportable loans originated by other reporting lenders. Although the volume of residential loans decreased overall in 2004 the geographic distribution of HMDA-reportable loans show an increase in the proportion of loans within low and moderate-income geographies

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>								
<i>Census Tract Income Level</i>	<i>% Total Owner- Occupied Housing Units</i>	<i>Aggregate Lending Data(% of #)</i>	<i>2003</i>		<i>2004</i>		<i>Total</i>	
			<i>2003</i>					
<i>Low</i>	2.2	2.5	#	%	#	%	#	%
<i>Moderate</i>	16.4	16.8	5	1.1	12	6.5	17	2.6
<i>Middle</i>	54.4	52.4	92	19.5	61	33.0	153	23.3
<i>Upper</i>	27.0	28.3	248	52.7	82	44.3	330	50.3
<i>Total</i>	100.0	100.0	126	26.8	30	16.2	156	23.8
			471	100.0	185	100.0	656	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The relatively small number of owner-occupied properties located in the area's low-income geographies appears to make it difficult for any single institution to capture a significant share of that market. Aggregate lending data for 2003 show that only 14 loans were made in Fall River's single low-income census tract. Of these, one was originated by the Bank, and one by another depository institution headquartered in Fall River. The rest were originated by mortgage companies. The remaining 792 loans were made in New Bedford's low-income geographies. However, less than 20.0 percent of all of these loans were originated by depository institutions with local offices.

Small Business Loans

The penetration of small business loans within census tracts of different income levels is considered good. The following table indicates the distribution of the Bank's small business loans originated within the assessment area by number of loans. For comparison purposes, the following table also includes a breakdown by percentage of the more than 16,000 small business that operate within the four census tract categories and the 2003 aggregate lending data for small business loans.

<i>Distribution of Small Business Loans by Income Category of the Census Tract</i>								
<i>Census Tract Income Level</i>	<i>% of Total Number of Small Businesses</i>	<i>Aggregate Lending Data(% of #)</i>	<i>2003</i>		<i>2004</i>		<i>Total</i>	
			<i>2003</i>					
<i>Low</i>	10.4	9.9	#	%	#	%	#	%
<i>Moderate</i>	23.8	21.5	8	6.4	15	9.4	22	8.1
<i>Middle</i>	46.2	47.9	30	23.8	38	23.7	67	24.7
<i>Upper</i>	19.6	20.7	61	48.4	94	58.8	150	55.4
<i>Total</i>	100.0	100.0	27	21.4	13	8.1	32	11.8
			126	100.0	160	100.0	271	100.0

Source: U.S. Census, Data Collection, CRA Aggregate Lending Data

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

The above table indicates that the Bank's small business loans have been originated in geographies of all income levels, including low- and moderate-income census tracts and is generally consistent with local business demographics and the activity of other lenders.

The major portion of the local business and development is located within the assessment area's middle-income geographies. The Bank's distribution of small business loans within low- and moderate-income census tracts was 30.2 percent compared to 31.4 percent for the aggregate

In the area's low-income census tracts, both the Bank and other CRA data-reporting lenders originated loans at a volume lower than indicated by the geographic distribution of small businesses and small farms. However, the proportion of loans originated by both the Bank and other lenders appears appropriate given the smaller number of businesses involved. The Bank's lending in moderate-income geographies exceeds the aggregate lending level and is in proportion to the percentage of businesses located in such areas. Loan volume in middle-income geographies is slightly above the level indicated by local business demographics and the activity of other CRA lenders. Loan volume in upper-income geographies is consistent with both the aggregate and the business demographics. Data regarding the geographic distribution of small business and small farm loans during calendar year 2004 shifted slightly, with an increase in the number of loans distributed in low-income census tracts and a decrease in upper-income tracts.

III. Borrower Characteristics

The distribution of loans reflects adequate penetration among borrowers of different income levels. For comparison, the distribution of the assessment area's 90,722 households by borrower income level and 2003 aggregate data is indicated in the following table.

Distribution of HMDA Loans by Borrower Income								
<i>Median Family Income Level</i>	<i>% Total Households</i>	<i>Aggregate Lending Data (% of #) 2003</i>	<i>2003</i>		<i>2004</i>		<i>Total</i>	
			<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low	24.0	3.9	23	4.9	19	10.3	42	6.7
Moderate	16.9	15.6	60	12.7	30	16.2	90	14.4
Middle	21.6	28.5	132	28.0	45	24.3	177	28.4
Upper	37.5	41.9	185	39.3	37	20.0	222	35.5
NA	0.0	10.1	71	15.1	54	29.2	125	20.0
Total	100.0	100.0	471	100.0	185	100.0	626	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

As shown above, upper-income borrowers, with 39.3 percent of all HMDA-reportable originations, account for the highest proportion of loans, a level that is consistent with the proportion of upper-income families in the assessment area and the performance of

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

other lenders. Middle-income borrowers were next with 28.0 percent, a level that is well above the proportion of middle income families in the area but nearly identical to the 28.5 percent level of other HMDA reporting lenders. The proportion of loans originated by both the Bank and other HMDA reporting lenders among both low- and moderate-income family households is below their respective 24.0 percent and 16.9 percent representations in the local population. However, the Bank's 4.9 percent proportion of loans to low-income family households is slightly above the 3.9 percent aggregate level while the 12.7 percent of loans originated by the Bank to moderate-income families is slightly below the 15.6 percent aggregate level. The distribution of loans among low and moderate-income individuals is expected since approximately 13.8 percent of the 134,175 households within the assessment area are below the poverty level and most likely would not be able to afford the rising costs associated with homeownership.

Small Business Loans

The Bank's small business data for 2003 indicated that the Bank originated a total of 126 CRA reportable loans to local businesses. Of these, 70.6 percent were to businesses with gross annual revenues of \$1 million or less, a level that is considerably above the 33.7 percent for all other CRA data-reporting lenders. The distribution of small business loans by loan size was analyzed.

<i>Distribution of Small Business Loans by Loan Size</i>							
<i>Loan Size (000s)</i>	<i>Aggregate Lending Data (% of %)*</i>	<i>2003</i>		<i>2004</i>		<i>Total</i>	
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
← \$100	93.4	60	47.6	86	53.8	146	51.0
\$100 - \$250	3.7	38	30.2	40	25.0	78	27.3
→ \$250 - \$1,000	2.9	28	22.2	34	21.2	62	21.7
<i>Total</i>	<i>100.0</i>	<i>126</i>	<i>100.0</i>	<i>160</i>	<i>100.0</i>	<i>286</i>	<i>100.0</i>

Source: CRA Data Collection * 2000

As the above table indicates, 51.0 percent of the Bank's small business loans were originated in amounts of \$100,000 or less, well below the 93.4 percent by other CRA data-reporting lenders, while the corresponding proportions in the two larger size categories are considerably higher. However, as discussed previously, this is the result of the lenders doing business in the area that offer commercial credit cards for expense account purposes. This significantly inflates the number of loans made by other CRA lenders in the smallest loan amount category (<\$100,000). Although it is impossible to segregate employee credit card accounts from the actual "small business loans" originated by these lenders, the Bank's relative position as a small business lender would likely improve had these institutions not been present.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

IV. Community Development Lending

The Bank's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent the institution has demonstrated leadership in community development lending.

Management has displayed a good level of support for community development initiatives since the previous examination by originating 5 community development loans totaling \$8.9 million to local organizations that provide job training, housing, and health care to the low- and moderate-income residents of Fall River and New Bedford.

Slade's Ferry Trust Company originated 19 additional loans with a community development purpose totaling \$5.1 million. The loans were used by nonprofit organizations and others to provide health care, counseling, youth services, and housing to those of limited means. Since these loans have already received credit as small business loans elsewhere in this evaluation, they do not meet the community development loan definition above. However, the loans deserve special mention here due to their community development nature.

Slade's Ferry Trust Company also originates community development purpose loans through its participation in the small business loan program of an organization that promotes economic development in downtown New Bedford by offering below-market interest rates to companies in the Downtown radius. The loan program's goal is to help revitalize downtown New Bedford by funding viable businesses and real estate projects. The Bank has made an ongoing commitment of \$1 million to this organization. The Bank has made 1 loan under this program and has been given credit under community development mentioned above.

V. Innovative or Flexible Lending Practices

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

The Bank's inventory of innovative and flexible lending programs is limited to the Bank's First Time Homebuyers loan program and SBA loans. However, it appears that management is using these programs effectively to address local credit needs that might otherwise go unmet with conventional financing. During the period covered by this examination, the Bank has originated 68 First Time Homebuyers loans totaling \$14.3 million and 22 SBA loans totaling \$2.5 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

VI. Fair Lending Policies and Practices

In a review of the Bank's public comment file there was no indication of any complaints pertaining to Bank's CRA performance since the previous examination. Also, a review of the Bank's residential loan files gave no indication of any discriminatory practices.

The Bank has a written fair lending policy. According to the guidelines employees are provided with training appropriate to their job description and their responsibilities. In addition, applicable rules and regulations regarding the Fair Housing Act, the Equal Credit Opportunity Act, and the Consumer Protection Act are addressed in the Bank's loan policy. This includes information regarding both technical requirements and the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

Some members of the Bank's staff volunteer their time at a variety of area organizations in need of their training and expertise. The Bank markets its services and products to the community mostly through print media, the internet, and radio. Seminars are also conducted in order to make potential customers aware of the services the bank provides. In addition, there are several employees of the Bank who speak a second language such as Portuguese, French and Spanish, which aids customers and potential customers who may not speak English.

Minority Application Flow

A review of the Bank's residential loan application flow was conducted. The purpose of the review is to determine the number of applications the Bank received from minority applicants. The Bank's minority application flow was compared with the racial composition of the assessment area. In addition, the application flow was compared to the 2003 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's application flow.

As indicated in the following table the Bank received a total of 877 residential applications from individuals within the assessment area during the review period. A total of 27 applications, or 3.08 percent, was received from minority applicants. Of the total minority applications received, 20 were approved.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

LENDING TEST (CONTINUED)

Race	Minority Application Flow*							
	Aggregate Data 2003		Bank 2003		Bank 2004		Bank Total	
	#	%	#	%	#	%	#	%
Native American	131	0.28	4	0.68	0	0.00	4	0.46
Asian	251	0.54	1	0.17	1	0.35	2	0.23
Black	769	1.66	6	1.02	8	2.77	14	1.60
Hispanic	913	1.97	2	0.34	1	0.35	3	0.34
Joint Race	0	0.00	0	0.00	0	0.00	0	0.00
Other	950	2.05	4	0.68	0	0.00	4	0.46
Total Minority	3,014	6.51	17	2.89	10	3.46	27	3.08
White	34,312	74.15	558	94.90	243	84.08	801	91.33
NA	8,948	19.34	13	2.21	36	12.46	49	5.59
Total	46,274	100.00	588	100.00	289	100.00	877	100.00

*Source: PCI Services, Inc. CRA Wiz software

According to 2000 Census Data, the Bank's assessment area contained a total population of 339,016 individuals, 11.73 percent of which is representative of various minority groups.

The Bank received 27 applications from minorities during the period reviewed. Although the 2003 aggregate data indicates total applications received from minority applicants, at 6.51 percent, is below the percentage of minority residents, it is substantially above the 2.89 percent for the Bank.

VII. Loss of Affordable Housing

The Bank's lending programs that include community development and flexible underwriting has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

INVESTMENT TEST

The Investment Test evaluates the Bank's record of meeting the assessment area's credit and economic development needs through its qualified investments. A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

Slade's Ferry Trust Company has demonstrated reasonable responsiveness to community housing and economic development needs. The majority of contributions went toward the support of non-profit organizations that assist low- and moderate-income individuals and low- and moderate-income neighborhoods, revitalize neighborhoods, and provide youth programs, health and human services, and education and training. The Bank is rated "Satisfactory" in this area

Qualified Investments

The Bank's qualified investments and grants have grown from \$262,144 at the previous examination to just over \$1.3 million, an amount that represents 1.1 percent of total investments and 0.2 percent of total assets March 31, 2005. The following is a summary of the qualified investments that the Bank currently holds:

- SEED Ventures Limited Partnership: This organization was formed to assist small business development throughout Southeastern Massachusetts, including the Bank's assessment area. SEED Ventures Limited Partnership is a Small Business Investment Company (SBIC) that invests in companies that meet the SBA's definition of a small business (i.e. net worth of \$18 million or less and an average net income in the last two years of \$6 million or less). In July 2004, the Bank made a commitment to invest \$250,000 in this organization's activities, of which \$119,050 has been expended thus far.
- Access Capital Strategies Community Investment Fund: This fund provides banks and other financial institution with the ability to purchase investments secured by residential mortgages that have been made to low- and moderate- income homeowners in given geographic areas. In July 2004, management made a \$1.2 million investment through this organization collateralized by 18 loans to borrowers whose incomes are less than 80 percent of the median family income in which the property is located. Five properties are located in Fall River, five are located in New Bedford, and three are located in Seekonk. The remaining properties are located in Acushnet, Fairhaven, Somerset, and Westport.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

INVESTMENT TEST (CONTINUED)

Charitable Contributions

In addition to these investments, the Bank also made \$103,477, or 0.8 percent of pretax net operating income, in qualified contributions and grants to a variety of organizations in the delineated area that provide support to low- and moderate-income individuals and families. Among these are the South Eastern Economic Development Corporation (SEED), Downtown New Bedford, Inc., and the New Bedford Community Health Center.

Conclusion – Investment Test

None of the investments that the Bank holds can be considered to be either “innovative or complex.” However, the total amount involved indicates an adequate level of performance and demonstrates management’s satisfactory responsiveness to the credit needs that exist among the area’s low- and moderate-income residents and small businesses.

Also, the Bank’s activities since the last CRA examination demonstrate that efforts have been undertaken to address the local area needs through contributions and grants to local charitable and social service organizations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST

The service test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing the availability and effectiveness of an institution's systems for delivering retail banking services; and the extent and innovativeness of its community development services. Overall, Slade's Ferry Trust Company's retail service delivery systems are considered "High Satisfactory."

RETAIL BANKING SERVICES

The service test evaluates retail services based on the distribution of branches among low-, moderate-, middle-, and upper-income geographies; and the institution's recording of opening and closing branches; particularly, those located in low or moderate-income geographies or primarily, serving low or moderate income individuals.

Furthermore, the test evaluates the availability and effectiveness of alternative delivery systems (for retail services) in low and moderate-income census tracts and to low and moderate-income individuals; and the range of services provided in low-, moderate-, middle-, and upper-income census tracts and the degree to which services are tailored to meet the needs of those geographies.

Distribution of Branches

Slade's Ferry Trust Company's main office, including corporate headquarters, operations center, trust and mortgage servicing departments, reside within a middle-income census tract. The Bank operates a total of 9 branch offices within Massachusetts and 1 additional ATM location.

The Bank's branch offices, located in Fall River (2) and New Bedford, reside within moderate-income tracts; while the branch offices in Somerset, North Somerset, Swansea, Seekonk, and Fairhaven reside within middle-income geographies/tracts. Additionally, the office in Assonet is situated within an upper-income tract.

Services and hours of operation are competitive and afford accessibility to all segments of the Bank's assessment area. All branches offer extended lobby hours, on Thursday and Friday and are open on Saturday morning. The North Somerset branch however, does not offer Saturday hours.

All branch office locations provide drive-up teller window service. All of the Bank's offices (including the Main Office) have deposit-taking ATMs, except the Linden Street location in Fall River, (which has no ATM). The Bank's ATMs are linked to the NYCE, Cirrus, and MasterCard networks. Slade's Ferry Trust Company is also a member of the SUM network, which is a surcharge-free alliance of several financial institutions that include over 1,000 ATMs throughout Massachusetts. The Bank's customers can avoid ATM surcharges by conducting business at alliance members' ATMs that bear the SUM logo.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

Record of Opening and Closing Branches

The Bank maintains a Branch Opening Policy and a Branch Closing Policy. These policies outline procedures to be followed should the decision be made to open or close an office.

During the review period, Slade's Ferry Trust Company opened a branch office in Assonet, MA, which is situated within an upper-income census tract. In addition, the Bank has closed 3 full-service branches. The Swansea branch, which was located in a middle-income tract, closed on September 1, 2003. The Fall River branch, which was located in a moderate-income tract, closed on October 1, 2004. The New Bedford branch, which was located in a low-income tract, also closed on October 1, 2004.

The Bank's loan production office in Warwick, Rhode Island, which was opened in August of 1999, is no longer in existence.

Other Retail Services and Alternative Delivery Systems

Slade's Ferry Trust Company offers the same banking services and products in each of its branch offices.

The Bank offers five personal checking accounts, three business checking accounts, four savings accounts, one money market account and nine Certificate of Deposit options.

The Bank's "Free Checking" account meets the guidelines of the Massachusetts Community and Banking Council's (MCBC's) Basic Banking for Massachusetts Program. This account requires no minimum balance or monthly fee. The "Free Checking" offers no limit on the number of checks written and unlimited access to bank owned ATM's. A MasterMoney debit card is also included.

All of the Bank's checking accounts include a MasterMoney Card to make ATM withdrawals and point of sale purchases more convenient. Slade's Ferry Trust Company charges all its checking account customers a \$1 fee for use of a foreign ATM, except its "Coastal Gold" holders for all transactions and its "Coastal Silver" holders after 4 transactions. Slade's Ferry Trust Company surcharges non-customers \$1 for use of Bank owned ATMs.

The Bank offers a "Free Business Checking" account, which allows for 200 free transactions (each month) and charges .50 cents for each additional transaction. This account has no monthly maintenance fee and includes MasterMoney Business debit card or ATM card accessibility.

The Bank offers free telephone and online banking, including online bill paying, to all its checking, savings, investment and loan account customers. The Bank's automated telephone system and online banking, provides 24 hour/7 day account information and

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

access. The service allows customers to check/view current balances and transaction history, to transfer funds (between accounts) and to make loan payments.

Overall, the Bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels within its Massachusetts' assessment area.

Other Retail Services

Slade's Ferry Trust Company participates in the **Massachusetts Interest on Lawyers Trust Accounts (IOLTA)** Committee program. During 2003 and 2004, the Bank remitted a total of \$5,007 to the IOLTA program. The Massachusetts IOLTA Committee utilizes these funds (the interest earned on funds held by attorneys) to support legal services for low-income individuals and families.

COMMUNITY DEVELOPMENT SERVICES

Community development services are evaluated based on the extent to which the institution provides community development services and the innovativeness and responsiveness of the services provided.

The Bank's officers, directors and staff provide financial or technical expertise to several organizations, involved in economic development, affordable housing and human services targeted to low- and moderate-income individuals and families. Overall, Slade's Ferry Trust Company's qualified services, as detailed below, demonstrate a good level of community development services.

The following summarizes some of the more noteworthy community development services noted.

- Fall River Chamber of Commerce advocates business advancement, economic growth and job creation for the benefit of the community. The Bank's Senior Vice President of Accounting serves on the board of directors. Also, a Board member of the Bank was a member of the Executive Committee in 2003.
- New Bedford Economic Development promotes economic development in Greater New Bedford, providing small business loan financing and education to companies and sole proprietors that experience difficulty in obtaining traditional bank financing, such as minority small business groups and the fishing industry in Greater New Bedford. The outcome of this organizations support is the creation of jobs and the stabilization of low and moderate-income geographies. A Senior Vice President of Lending serves as a member of the Micro Loan Committee. A Vice President of Commercial lending is a member of the loan committee. In addition, a Bank Director is a member of the Executive Board.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

- South Eastern Economic Development (SEED) is a non-profit, SBA certified corporation that is dedicated to improving the economy of Southeastern Massachusetts by assisting small businesses to start-up, expand and create new jobs. SEED provides technical assistance and loans for small businesses that cannot obtain the entire financing they need from banks or other private sources. Two of the Bank's Senior Vice Presidents of Lending (2004 and 2005) and Vice President of Mortgage Originations (2003 and 2004) serve as a director of this organization's loan review committee. Another Senior Vice President of Lending served as a loan committee member in 2004 and a Micro Loan Committee member in 2005. A Bank Director served as president in 2003 and 2004.
- Fall River Office of Economic Development provides financing to businesses in the community and is an advocate for business advancement, economic growth, and job creation for the benefit of the community. A number of the Bank's Board members are involved, serving in various capacities from president in 2004 to membership on the executive board.
- Junior Achievement provides education to youth to encourage children to value free enterprise through business and economic education. A Senior Vice President of Lending serves as a class advisor.
- United Way of Fall River raises money for various causes that impact low and moderate-income families. For 2003 and 2004 a Senior Vice President of Lending served on the allocation committee.

Many other organizations that officers and employees offer their technical expertise include civic, charitable, religious and fraternal organizations located throughout the assessment area. Although all may not qualify as community development, they provide valuable services to the local community.

Educational Services and Seminars

In November 2004, the Bank conducted a First Time Homebuyer's seminar in the main office that was attended by seven individuals. The Bank originated one loan as a result of this seminar.

In December 2004, the Bank sponsored a Money Smart loan and deposit workshop at the Fairhaven branch office in which 10 individuals attended.

In June 2005, the Bank conducted a two-day SEED-sponsored seminar on small business loans and planning at the Bank's Somerset office in which 17 individuals attended.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS (CONTINUED)

SERVICE TEST (CONTINUED)

Conclusion - Service Test

The Bank's performance under the service test is considered to be "High Satisfactory". As depicted above, the Bank's systems for delivering retail banking services are accessible to geographies and individuals of different income levels within its assessment area. These services are comparable to those offered by similarly situated financial institutions. The Bank's officers and employees have provided a good level of service activities and involvement in community organizations primarily for community development purposes and related to the provision of financial services. Many of the organizations that Bank management and employees have taken a leadership role in promote economic development or target the revitalization of business communities. Bank management and staff have sponsored and participated in various educational seminars. The Bank's level of service activities are considered to be good.

APPENDIX A

SCOPE OF EXAMINATION

Write a short description of the scope of examination. At a minimum, discuss the specific lending products reviewed, the names of any affiliates reviewed and their corresponding lending products, the institution's assessment areas, and whether its activities were reviewed on, or off-site, and the time period covered in the review.

SLADE'S FERRY TRUST COMPANY

SCOPE OF EXAMINATION: The examination included an on-site analysis of all HMDA and CRA reported loans for the period noted below.

Residential aggregate loan data was reviewed during the examination and included comparative loan data of competing institutions. SLADE'S FERRY TRUST COMPANY has one assessment area, which was reviewed using the large bank examination procedures.

TIME PERIOD REVIEWED: January 1, 2003 – December 31, 2004

PRODUCTS REVIEWED: HMDA-reportable Loans and Small Business Loans

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 100 Slade's Ferry Avenue, Somerset, MA 02726-2822.

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.